

The Loan Arranger

Spring 2008

Revolving Loan and Operator Certification Section
Environmental Science and Services Division

Michigan Department of Environmental Quality 

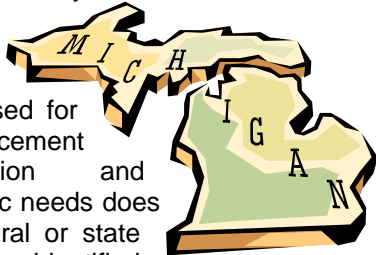
Clean Watershed Needs Survey for Michigan

By Mark Conradi – Needs Survey
Coordinator

The 2008 Clean Watersheds Needs Survey (CWNS) is currently underway and your help is needed. The CWNS is mandated by the Federal Clean Water Act and is conducted every four years. The current survey began in February of this year and will end February 27th, 2009. The purpose of the CWNS is to assess the current and future (next 20 years) capital needs for wastewater systems throughout the country. Data is collected state by state.

Please note that information garnered for the survey is not used for any compliance or enforcement purposes. Participation and documentation of specific needs does not guarantee any federal or state dollars to address the identified needs. By documenting as many needs as possible, however, lawmakers will have a more accurate picture of how much the state of Michigan needs versus other states. Identifying and documenting needs can also be useful for current and future wastewater infrastructure planning within your respective communities.

For a need to be included in the survey, both the need itself and the cost to address it must be documented. Commonly used and pre-approved documents to support needs estimates include capital improvement plans, facility plans, preliminary and final engineer's estimates, sewer system evaluations, long-term combined sewer overflow (CSO) control plans, non-governmental grant applications, total maximum daily loads, watershed-based plans, and municipal storm-water management plans. Some of these documents can provide evidence of both needs and costs while others provide either the needs or the costs. In the upcoming months, the DEQ will be trying to contact as many facilities with known needs as possible. If you are contacted, please provide the requested information/documentation knowing that it will not be used solely for documentation purposes and that it should take a



Planning to Improve the Plans - Refresher of Critical Planning Elements

By Kurt Swendsen

In any given year, the majority of project plans will be ranked on the Project Priority List (PPL) for funding consideration in the subsequent fiscal year. Plans that fall short can require extensive follow-up, however, and delay an applicant's preferred financing schedule. This article briefly explores those project planning issues that the Department of Environmental Quality (DEQ) often finds deficient and which can result in lengthy delays: project need, comprehensive alternative analysis, cost-effective analysis, infiltration and inflow (I/I) analysis, and environmental impacts.

Descriptions of the project need can be inadequate due to the plan being written strictly for the paying client (an audience of one or two decision makers familiar with the system) and the DEQ, instead of the general citizenry. The

discussion of project needs should be comprehensive, and include an appropriate level of detail regarding the entire system, as well as individual system components. Some applicants have a false impression that all of the documented project needs must be immediately constructed and that they should only describe those needs they intend to immediately remedy. The project plan, however, is intended to inform its readers of all system needs, regardless of whether the needs will be funded by the SRF or not. The project plan should cover needs similar to the way a long-term Capital Financing Plan would.



When an alternatives analysis is done well, it demonstrates that the widest variety of potential alternatives for the entire system and/or functional subsystems was considered. The alternatives analysis should also demonstrate that the selected alternative is the most cost-effective option, ensuring the same project need, area, population and planning period is used for each alternative. The analysis may need to be redone or amended when it makes comparisons using unequal geographic areas, populations, or project needs.

An important aspect of State Revolving Fund (SRF) project alternatives analyses entails a thorough look at clearwater. Any plan for a community with an existing sewer system must thoroughly document I/I conditions. The I/I should begin by examining the dry weather and wet weather peak flows, along with service area populations. Where I/I may be excessive, the recommended alternative must include a sewer system rehabilitation component to eliminate the excessive I/I, which in most cases will require the completion of a Sewer System Evaluation Study (SSES). This can entail a lengthy investigation, and result in a funding delay if the issue is not considered early in the planning process. I/I can be tricky because making a determination often depends on how one chooses to organize the data. What is Crucial, however, is that I/I found to be excessive must be removed. The recommended alternative must include the sewer rehabilitation coupled with the necessary transportation and treatment improvements necessary to meet identified needs.

Even projects that seemingly have no reasonable alternative, such as sewer or watermain replacement, can conduct a meaningful alternatives analysis by examining the use of different pipe materials. If you have questions about what alternatives to consider, please consider contacting your local Water Bureau district engineer.

The project plan must also show projected project impacts cost on existing users. The extent of how new customers over and above the initial population are being included in the analysis must be thoroughly documented. It is important that this data be consistent with the data presented in the cost-effectiveness analysis.

The environmental impact analysis should contain a thorough description of potential impacts during the 20-year planning period. This should include a discussion of impacts (preferably quantitative and specific) during consultation such as removal of tree and traffic disturbances, as well as other construction impacts that would reasonably be expected. Impact analysis is fully described in the DEQ's Project Plan Preparation Guidance. Include the discussion of direct impacts, which can be divided into those attributable to project construction as well as those attributable to project operation, long-term impacts that may include those related to the release of odors, aerosol drift, or ash, and impacts of a secondary and cumulative nature.

In order to help prevent unexpected or lengthy delays with a project plan review and approval, we highly recommend calling your SRF/Drinking Water Revolving

Fund (DWRP) project manager early in the planning process, reviewing the Project Plan Preparation Guidance Document for the SRF or DWRP and visiting our website to learn more prior to undertaking project planning.

Fatal Flaws for Project Plans

By Kurt Swendsen

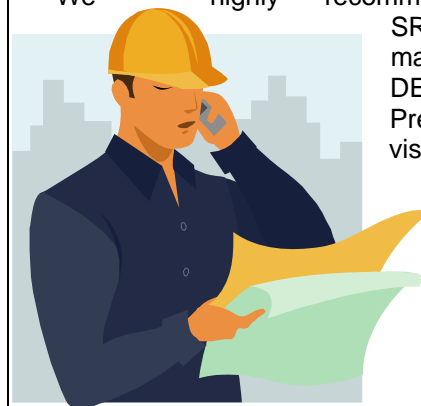
Every year there are a few project plans that cannot be prioritized because of a shortcoming in the planning document, or in the planning process. These defects, which the DEQ refers to as "fatal flaws" occur when project plans do not meet specific program legal or regulatory requirements.

The majority of the fatal flaws encountered are due to critical shortcomings in the public participation process. For example, the public hearing on the proposed project plan must be advertised for the required 30 days; SRF plans must have a verbatim written transcript of the hearing; audio tapes of DWRP public hearings must be audible; and a proper resolution of adoption of the project plan must be passed after the public hearing.

Fulfilling the legal requirements for public participation is occasionally not enough effort to root out public controversy, especially in larger communities where SRF and DWRP public hearing meetings have limited attendance. An additional public participation effort, such as notifying the citizens by mail is sometimes necessary. Where tourist areas, downtown areas, or old-growth tree-lined residential roadways will be impacted by construction, additional participation efforts by an applicant can insure the project is implementable.

If you do happen to have a project plan that is not prioritized on this upcoming years' (2009) SRF or DWRP PPL due to a fatal flaw, please be aware that not being ranked carries no penalty when submitting a new plan the following year. However, a resultant detriment is waiting an additional year for the possibility of a loan. Besides using the year to repair the project plan flaws, an applicant is free to pursue an appeal of the decision to not to place the community on the PPL to the DEQ Director.

We highly recommend contacting your SRF/DWRP project manager, reviewing the DEQ's Project Plan Preparation Guidance, and visiting our website for learning more prior to beginning work in a project plan.



2009 FINANCING SCHEDULE
for the State Revolving Fund (SRF), the
Drinking Water Revolving Fund (DWRf) and the
Strategic Water Quality Initiatives Fund (SWQIF)

	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Part I of Application Due	09/08/08	11/26/08	02/20/09	05/28/09
Part II Application Due FNSI Clearance Plans & Specs Approved User Charge System Approved	09/26/08	01/06/09	03/27/09	06/19/09
Bid Ad Published No Later Than	09/22/08	01/05/09	03/31/09	06/22/09
Part III of Application Due Bid Data Submittal (With Tentative Contract Award)	11/07/08	02/20/09	05/15/09	08/07/09
DEQ Order of Approval Issued*	11/25/08	03/13/09	06/05/09	08/28/09
Borrower's Pre-Closing with the Michigan Municipal Bond Authority (MMBA)	12/09/08	03/20/09	06/12/09	09/11/09
MMBA CLOSING	12/19/08	04/03/09	06/22/09	09/21/09

*In addition to MMBA requirements, all municipal bond sales must be reviewed and approved by the Local Audit and Finance Division of the Michigan Department of Treasury before an Order of Approval can be issued.

AN APPROVABLE APPLICATION FOR A REVOLVING FUND LOAN MUST INCLUDE:

1. A completed revolving fund application (Parts I, II, and III) including all required application information and assurances.
2. A detailed project description, cost breakdown, and project schedule.
3. Financial documentation to demonstrate ability for timely repayment of the loan and other assurances required by the application. (Part I)
4. If applicable, all executed intermunicipal service agreements. (Part II)
5. An approved User Charge System. (Part II)
6. An approved Project Plan. (Part II)
7. A set of plans and specifications suitable for bidding, including DEQ construction permit. (Part II)
8. A certified resolution from the applicant designating an authorized representative. (Part II)
9. Verification that the project has been advertised for bids or other appropriate procurement action. (Part II)

Administrative Completion of Loan Projects

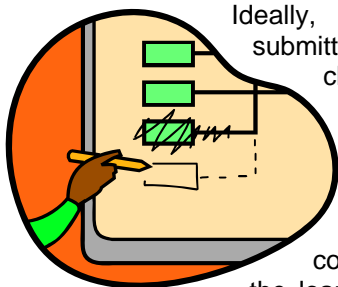
Timely administrative completion is an important facet of an SRF or DWRP loan project. This step is conducted by MDEQ and is associated with, but separate from, closeout steps conducted by the prime contractor(s) and engineering consultant as specified in construction contract documents.

Administrative completion constitutes DEQ's final action on a project. It is a formal confirmation of project completion and the final loan amount on which debt repayments will be based. Administrative completion can occur only when all allowable project costs have been approved by DEQ, and all recordkeeping requirements have been met.

The DEQ is working on a guidance document for municipalities and their consultants. Watch for this document on our website in the coming months.

CHANGE ORDERS: Administrative completion requires an accurate accounting of all change orders. This includes final balancing change orders on unit-price contracts. All change orders must be approved by DEQ prior to administrative completion.

Documentation to support all changes must be provided, including justification for the changes and price quotations from contractors and/or subcontractors. Other pertinent documentation may include field orders, bulletins, requests for information, etc.



Ideally, a change order should be submitted to DEQ at the time of the change. Staying current with change order approvals during the construction phase prevents potential complications at the end of a project due to changes whose costs cannot be covered under the loan by virtue of either ineligibility or exceeding the loan amount.

INITIATION OF OPERATION: The Initiation of Operation, or I/O, is the date when the project is capable of functioning for its intended purpose. Generally, the I/O corresponds with substantial completion. DEQ would like to see projects reach administrative completion within one year after the actual I/O.



As specified in the Supplemental Agreement, the authorized representative must notify MDEQ of the actual I/O date within 30 days of its occurrence. Either an e-mail or a postal letter is acceptable. If the actual I/O is delayed beyond the target date identified in Part III of the loan application, either the authorized representative or consultant should contact DEQ and briefly explain the delay.

FINAL CONTRACTOR PAYMENT: At or near substantial completion, the consulting engineer conducts a pre-final inspection to identify problems and verify that

the work complies with contract documents. The engineer normally develops a punchlist of deficiencies to be corrected.

Once the punchlist items are corrected and other construction management activities are completed, the consulting engineer and owner make a final inspection. If the work is satisfactory, the engineer prepares final acceptance documents and recommends the release of final payment and retainage to the prime contractor(s).

In conjunction with the submittal of the contractor's final pay estimate, the authorized representative must certify that all work has been completed and accepted by the owner, all punchlist items have been addressed, and all retainage has been released to the prime contractor(s) or construction manager.

FINAL PROJECT COSTS: Invoices and other supporting documentation must be submitted to MDEQ with each disbursement request. This enables the identification of potential problems prior to administrative closeout. MDEQ cannot administratively complete a project until all costs are verified via supporting documentation.



Once a project exceeds the loan amount, the municipality should continue to assemble invoices and track costs on the appropriate line items of the disbursement form. Even though submittal of a disbursement request beyond the loan amount will not yield a disbursement, this submittal provides MDEQ with a record of as-

built project costs and protects the owner should some costs be determined ineligible. Work with your MDEQ project manager to determine whether the information is best submitted on a monthly basis, or whether information can be collated and submitted in a mutually agreed manner.

The final disbursement request should tabulate eligible project costs, including those costs exceeding the loan amount. A disbursement request should not be marked "final" until final project costs have been established by the project manager and agreed to by the authorized representative. Your project manager will work with you to facilitate the preparation of a final disbursement request that reflects the appropriate, MDEQ-approved final cost figures. If an overpayment has occurred, administrative completion of the project must wait until the Michigan Municipal Bond Authority (MMBA) has received the proper repayment of the amount owed by the loan recipient.

LOAN REPAYMENTS: After the MDEQ project manager issues the administrative completion letter, the MMBA records the final loan amount. When the final loan amount equals the loan funds originally committed to the project, MMBA will confirm the repayment schedule established at loan closing. When the final cost is less than the loan commitment, MMBA will recalculate the loan repayment schedule to reflect the lesser amount.

Deadline for Submission of
Project Plans for the Fiscal Year 2009 Project
Priority Lists for the
Drinking Water Revolving Fund- Project
Plans must be received OR postmarked no
later than May 1, 2008.

**State Revolving Fund/Strategic Water
Quality Initiatives Fund-** Project Plans must
be received OR postmarked no later than
July 1, 2008.

New Disadvantages Business Enterprise Rule Adopted By Chip Heckathorn

After years of delay, the Environmental Protection Agency has at last issued its long awaited final rule on its Disadvantaged Business Enterprise (DBE) Program. The rule appeared in the Federal Register on March 26, 2008 and is intended to "harmonize" EPA's statutory DBE procurement objectives with the 1995 United States Supreme Court ruling in *Adarand Constructors, Inc. V. Peña*, U.S. 200 (1995). This rule also revises EPA's Minority Business Enterprise and Women's Business Enterprise program by consolidating and adding provisions to the new regulations.

The DEQ is currently evaluating the implications if this new rule on Michigan's SRF and DWRP programs. We anticipate that procurement requirements for loan recipients will see some changes. Potential loan recipients and engineering consultants will be informed of these changes in the coming months.

For questions please contact Ms. Sonya Butler at butlers1@michigan.gov or Mr. Chip Heckathorn at heckathornc@michigan.gov.

MAKING TRACKS

The RLOCS says a very sad and fond farewell to one staff member, welcomes back one of our own, and brings a new staff member into our fold.

Kyoko Wandell was hired as a bookkeeper in October 1978 by the Department of Natural Resources and after a brief stint in the Federal Aid Office transferred in to the Municipal Facilities Section in 1984 and has worked for Dick Emerson, Ed Moyer and Sonya Butler. Known as the "Money Lady", Kyoko processed payments every week for 24 years; including Construction Grants, State Grants, SRF, DWRP, SWQIF, and S2 Grants. Among other duties she worked on the Minority and Women's Business Enterprise Programs for SRF and DWRP, collecting data from loanees to report to the EPA.

Kyoko indicated that the best part of her job was the people that she worked with who became friends, not just co-workers. In retirement Kyoko and her husband Howard, are planning to travel and spend time at the

lake. The friends she left behind here in RLOCS will truly miss her.

Kelie Bond recently transferred back into the RLOC Section as a project manager in the West Unit, where she previously worked from April 1998 to May 2000. For the past eight years Kelie administered the Clean Corporate Citizen (C3) Program and was the statewide expert for Environmental Management Systems (EMS) for the MDEQ. She is trained as an International Organization for Standardization (ISO) 14001 Lead Auditor and an EPA EMS auditor. She has been a National Pollutant Discharge Elimination System (NPDES) permit writer, state-wide MDOT wetland and inland lake and stream permit application coordinator, DEQ Executive Division Press office rotator, and has experience with Air Quality Division's State Implementation Plan Unit.

Kelie is happy to be back in the SRF and DWRP programs and is looking forward to helping communities in west Michigan and the Upper Peninsula with upgrades to their drinking water and wastewater treatment systems.

Debbie Martinson is our newest employee and is warmly welcomed into the DEQ's Technical Services Unit. Debbie came to us from the Michigan Department of Corrections, Michigan State Industries where she worked for the past three years in the Accounts Payable Section. In her previous job, Debbie worked closely with the Prison Industries Division where products and services are sold to government and non-profit organizations. Debbie brings more than 20 years of accounting experience to her new position processing disbursement requests. We look forward to working with Debbie for many years to come.



**Public Hearing Date for the Fiscal Year 2009
Intended Use Plan, and Project Priority List
for the
Drinking Water Revolving Fund-August 20, 2008
and the
State Revolving Fund/Strategic Water Quality
Initiatives Fund-September 24, 2008**



If you know someone, who would like to be added to *The Loan Arranger* mailing list, or have an address change, please e-mail the editor, Mrs. Deana M. Kinney, at Kinneyd@michigan.gov

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